

FY2017 Southwest Economic Development

Summaries and Staff Recommendations

May 2017

During the FY2017 SWED cycle in September 2016, the Committee funded one project with conditions, tabled six projects and referred one to VRA that are listed below. The Committee will reconvene at 4:00 pm on May 17th to reconsider these requests. The Committee's current available balance is \$820,672. Staff has provided updates based on information from applicants.

Other Business regarding two project extension requests is included at the end of this report.

<i>Grant #</i>	<i>Organization</i>	<i>Project Title</i>	<i>Requested Amount</i>	<i>Committee action (Sept 2016)</i>
3191	Floyd County EDA	Floyd Regional Commerce Center Phase II Development	\$420,696	table
3192	Lenowisco PDC	Project Intersection	\$1,250,000	\$1,250,000 with conditions
3190	Ninth District Development Financing Inc	Capitalization of Revolving Loan Fund for Ninth District Development Financing Inc	\$1,000,000	table
3186	Raven Theater And Coal Museum, Inc.	Raven Theater and Coal Museum	\$125,000 (reduced from \$250,000)	table
3200	Scott County Economic Development Authority	Riverside Development Phase III - Site Development	\$500,000	table
3195	Southwest Regional Recreation Authority	Continued Growth for Spearhead Trails thru Expansion of Services	\$500,000	VRA
3201	Wythe County	Appalachian Regional Exposition Center - Arena & Spectator Development	\$750,000	table
Total requested/recommended (excluding Lenowisco)			\$3,295,696	0
Balance available before/after recommendations			\$820,672	\$820,672

Floyd County EDA

Floyd Regional Commerce Center Phase II Development (#3191)

\$420,696 Requested

Project Description Provided by Applicant: The project will begin Phase II development of the Floyd Regional Commerce Center, which has only two small pads available in Phase I. More sites are needed to both attract new industry and provide expansion space for existing industry. This project will build and complete road access and utilities to a 51-acre greenfield site, which is adjacent to an Appalachian Power substation and across the road from Citizen's Telephone's 200-Gbps open access network; and it will complete a small building pad (3 acres) from road-cut materials. Ultimately this 51-acre will net about 27 acres of building sites (including one that is about 17-acres), though this project will primarily cover road development (Appalachian Regional Commission Access program request) and utilities (TRRC funds requested to pay for water, sewer, last-mile fiber and stormwater.) We anticipate seeking federal Economic Development Administration funds in the future to help with additional building pad development.

Staff Comments and Recommendation (September 2016): The Floyd EDA is seeking funds for contractual and construction of utilities to create access to additional building pads. When completed the new phase of the County industrial park will have an additional six parcels, a total of 27 buildable acres with the largest parcel being 17 acres with room to accommodate a 125k square foot building. The EDA estimates this additional property could result in an estimated 130 jobs and \$30 million of new private investment. The proposal includes very thorough feasibility studies with target industries, transportation alternatives, and preliminary engineering. The project will be well-leveraged if an ARC Access Road request for \$946k is approved in 2017 (it will be submitted in October). Any funding consideration should be conditioned on that approval, as it represents the entire match for this phase of construction. The EDA states it intends to pursue federal EDA funds for \$2 million of pad grading for the proposed lots. ARC road doesn't require match so consider utility engin only at this point? (1/2 of \$73k) **Staff recommends this project be tabled until the likelihood of ARC and EDA funding is better known, and the outcome of other funds committed in this round - contingent on successful POWER applications - is known.**

Staff Comments and Recommendation (May 2017): The applicant has a pending application with ARC and has asked that this project remain tabled pending a decision. **Staff recommends this proposal remain tabled.**

LENOWISCO Planning District Commission

LENOWISCO Project Intersection (#3192)

\$1,250,000 Awarded with Conditions

Project Description Provided by Applicant: The requested TRRC investment will provide dollar-for-dollar match for a federal POWER investment, and serve as leverage for a larger package of local, state and federal dollars. The Applicant seeks to acquire and initiate development of a highly desirable, previously unavailable regional industrial/business site. The site must be acquired within a tight timeframe. Over a phased development, this site should provide 200 acres of developable, pad-ready acreage, with all supporting infrastructure already adjacent to the site. This site will be developed to attract prospective, targeted downstream supply chain clusters and other TRRC- and POWER-focused areas. This site, the top-ranked property in a TRRC-funded regional site study, is situated at the intersection of U.S. Highways 23 and 58, with the highest cumulative

non-Interstate traffic volume in far southwestern Virginia. The access provided at the site by this transportation infrastructure is a critical component in the attraction of desired industries.

Staff Comments and Recommendation (September 2016): TRRC staff has been discussing POWER and SWED funding for development of this 200 acre site with the project leaders for several months, and have visited the site, which is the top-rated site in a selection study conducted for Lenowisco, and reportedly the second-ranked site in a recently-completed study by Timmons Group for VCEDA. This request would cover half of the \$2.5 million acquisition cost, with POWER funds for the balance of acquisition and a portion of initial development costs of a 48 acre pad. The proposal estimates the first phase pad would be capable of attracting 350 new jobs and a \$10M private capital investment. The overall development cost has dropped from \$14M (without acquisition) in a PER completed in 2014, to \$6.55M including acquisition, using a phased development approach that anticipates applying for federal RECLAIM funding for formerly mined sites. Other as-yet uncommitted funders include VCEDA (\$2.3M), ARC POWER (\$1.5M) and EDA POWER (\$1.5M). The contiguous acreage does not appear to qualify for VEDP's new Business Ready Sites program, although that is a potential funding source that should be explored for subsequent development costs. A significant attribute of the site is the proximity of utilities, which are immediately adjacent to the property lines. Other competing sites available in region include the Lonesome Pine and Wise County parks, Duffield, Russell and Lee (Constitution Oaks), though few if any rival this site for a variety of characteristics including size, access to major highways, utility infrastructure, etc. The project leaders have initiated discussions with neighboring localities about the prospects of cooperating for revenue-sharing purposes, and initial indications of interest have been shown. Staff strongly supports this regional concept as a possible condition of funding, along with the approval of the proposed POWER grants, without which the project can not be initiated. **Staff recommends award of \$1,250,000 for one-half of site acquisition costs, contingent on approval of POWER grant(s) sufficient to complete acquisition and initiate site readiness activities.**

Staff Comments and Recommendation (May 2017): LENOWISCO's POWER requests to the Appalachian Regional Commission and Economic Development Administration for matching funds were not approved, which was the condition for the award of this grant in September 2016 (to provide TRRC's required match). However they continue to pursue funding through EDA and other federal programs including RECLAIM. They have asked that this project remain tabled to provide matching funds required by federal programs while awaiting a decision for those funds. **Staff recommends this project remain tabled.**

Ninth District Development Financing Inc ***Capitalization of Revolving Loan Fund for Ninth District Development*** ***Financing Inc (#3190)*** **\$1,000,000 Requested**

Project Description Provided by Applicant: This request aligns with the Southwest Regional Recreation Authority's (SRRA) strategy to become an outdoor recreation destination. Ninth District Development Financing Inc (NDDF) will capitalize its revolving loan fund, a tourism development loan fund established in 1995, to serve the Ninth Congressional District of Virginia. This initiative was established to revitalize southwest Virginia's economies due to the loss of coal- and tobacco-related industries. Through low cost financing and business development services, this strategy provides resources to augment current regional economic development initiatives including

Spearhead Trails, The Crooked Road, Heartwood, Round the Mountain, and the Virginia Creeper Trail. Additional resources are needed to capitalize the revolving loan fund; the balance is currently at \$20,000 after two loans were made this year totaling \$983,860. With resources from VTRRC and associated match, NDDF proposes to make 7 loans within the three year project period and create/retain at least 70 FTE jobs.

Staff Comments and Recommendation (September 2016): TRRC has previously provided \$2.4 million to People Inc., which administers the NDDF, and its related small business financing entities dating back to 2003. There is no debating that the NDDF loan fund, which was initiated in 1998 with federal HUD funds, has had a positive impact in financing tourism-dependent private businesses in Southwest VA (24 loans for \$6.4M with no defaults since 1998) and is witnessing growing demand from tourism related businesses created in part by the successes of TRRC-funded tourism destinations such as The Crooked Road and Spearhead Trails. However, it can also be argued that TRRC's finite resources can be more impactful in the regional tourism economy by focusing on helping create the destinations that attract visitors (such as Crooked Road venues, Birthplace of Country Music Museum, etc.) while leaving it to other small business lenders (such as the applicant, Virginia Community Capital, SBA, VSBFA and others) to provide this private sector financing. This proposal estimates 70 new jobs but a previous TRRC grant #2381 funded three businesses with a total of 300k and created 10 jobs (\$30k/job), including a tourism business (a marina). While admittedly a snapshot of the results of the applicant's lending history, if those results are used for extrapolation, at \$30k per job the requested funding might create something closer to 33 jobs for a \$1M investment. The question here is: is this highest and best use of \$1M in a declining TRRC budget year, to fund 7-8 private businesses. Staff suggests that existing resources at a variety of small business lending entities should be relied on for assisting businesses, while Commission funds remain focused on assisting the creation and expansion of tourism destinations. **Staff recommends no award.**

Staff Comments and Recommendation (May 2017): The applicant provided an update indicating five potential borrowers totaling \$1.25M which it has not been able to provide financing for due to lack of funding. It is possible that some of these projects could qualify for financing through the Commission's VRA loan program or other lenders. This request also exceeds the Committee's available balance and would assist only a handful of small businesses and destinations. **Staff recommends no award.**

Raven Theater And Coal Museum, Inc.
Raven Theater and Coal Museum (#3186)
~~\$250,000 Request~~ – Reduced to \$125,000

Project Description Provided by Applicant: The Raven Theater, built in the middle of the Great Depression, is indicative of the true entrepreneurial spirit of a coal mining town during the late 1940's - 1960's. This grant application is to show the feasibility and soundness of using grant funding in the amount of \$250,000 to allow the Raven Theater & Coal Museum, Inc., a registered 501 (c) 3 non-profit organization, to complete the renovation and restoration of the historic Raven Theater building (and other adjacent sites) located in the Raven community of Tazewell County, Virginia. It is believed that upon completion, this project has the capability to generate sufficient revenues to allow the Raven Theater & Coal Museum, Inc. to be a self-sustained operation, providing much needed economic development and creating a number of direct and indirect jobs for the area.

Staff Comments and Recommendation (September 2016): This is the third request from this 501C3 nonprofit for this project in western Tazewell County (identical requests in the two of the past three years were passed by in Committee). The property was donated to the nonprofit and some site cleanup and repairs have been completed using volunteer labor and donations. To date the applicant has invested \$167,800 to partially renovate the building including the installation of a new floor in the theater and ice cream parlor, installation of a new roof for the ice cream parlor, new floor trusses for the second floor, 200 theater seats have been purchased, all windows have been replaced, installation of new wiring and three-phase power, and a new awning and refurbished marquee have been installed. TRRC funds would be used to complete the renovation through the construction of new walls in the theater and ice cream parlor (including framing, electrical, insulation and plumbing), the purchase and installation of tile for all floors, the purchase and installation of HVAC, an enlarged stage area and new exits, the construction of new ADA restrooms, and the purchase of furniture and equipment for the ice cream parlor. Once again the applicant does not indicate that other potential funders have been approached, including USDA's Community Facilities program and/or DHCD's ARC or CDBG programs. While the business plan shows that the revenue generated will produce the ability to take on some debt it does not appear that any community development lenders such as Virginia Community Capital or People Inc. have been considered either. It appears that matching funds have already been raised and expended, so with no additional funds that are shown to be used during the current project period, this application does not meet the Commission's 1:1 match requirement. The application lists 8 new jobs with an anticipated rate of \$8.50 per hour and projects 800 visitors annually generating \$35,000 of revenue. While the applicants states its intent to seek Affiliate status on The Crooked Road, this appears to be primarily a local community amenity akin to a community center, rather than a tourist destination with broad appeal to visitors from beyond the region. While the applicant is to be commended for their efforts which have brought the project to this point it appears to be principally a community development project that is better suited for other funding agency programs and not a basic economic development project that is aligned to TRRC objectives. As such, and with modest outcomes and absent required matching funds, this was the lowest scoring project. **The project fails to meet the Commission's 1:1 match requirement and is ineligible for consideration. Staff recommends no further action on this proposal.**

Staff Comments and Recommendation (May 2017): In December 2016 the applicant notified Staff that VCEDA had approved a \$125,000 award contingent upon receiving an equal amount in TRRC funding. With the revised request amount and matching VCEDA funding this project is now eligible for consideration, however Staff is of the opinion this project will have minimal (if any) impact from visitors outside the SWVA region, and we remain concerned about long-term sustainability of a facility that continues to appear to be primarily a local entertainment amenity. As commendable as the efforts of these dedicated citizens volunteers are, an award of TRRC funds would not be the highest and best use of limited Committee funds when several larger, more regionally impactful projects remain on the table. **Staff recommends no award.**

Scott County Economic Development Authority
Riverside Development Phase III - Site Development (#3200)
\$500,000 Requested

Project Description Provided by Applicant: The Riverside development has continued at a rapid pace since the initial investment by the Virginia Tobacco Commission on the site. We were able to attract TeleTech, a customer support center, creating 300 jobs and private capital investment of

\$1.525 million. We want to create another site with the infrastructure so we will be ready for the next company. The need was recognized soon after the initial company was announced, and we would not have been able to attract that company had we not strategically created a ready to go site.

Staff Comments and Recommendation (September 2016): Funds are requested to grade a 15 acre pad that already has road and utilities in place due to previous investments. The Commission has supported the development of the Riverside business park with grants totaling more than \$1 million since 2011 for engineering, site prep and access road development costs. The County invested \$1 million to acquire the property in 2011, and ARC Access Road funds of \$497k paid half of the cost to construct the entrance road. The park received its first tenant when Teletech announced a commitment to establish a "customer experience center" on an adjacent building pad and create 300 jobs with a \$1.5 million investment (a \$645k TROF was approved for that project). The application states this proposed pad site has the potential to attract 250+ jobs and \$1.5 million of new private investment, which is validated by the Teletech commitment on the adjacent 7.5 acre pad. The proposal states that local matching funds will be committed, however, Staff has been informed that the EDA is working with Lenowisco PDC to submit a federal POWER application (or alternatively, other matching fund sources) to provide the Commission's required dollar-for-dollar match requirement. Given the previous success at this site, which is in large part due to its location on a well-traveled highway which provides access to the larger Tri-Cities workforce, Staff feels it is reasonable to table this application until more is known about the likelihood of other matching fund sources such as POWER or other agencies, and revisit the request at a later date. **Staff recommends this request be tabled for future consideration.**

Staff Comments and Recommendation (May 2017): The applicant is continuing to seek matching funds for this project and is planning to apply to ARC in the fall. They have requested that this project remain tabled. **Staff recommends this project remain tabled.**

Southwest Regional Recreation Authority

Continued Growth for Spearhead Trails thru Expansion of Services (#3195) **\$500,000 Requested**

Project Description Provided by Applicant: Spearhead Trails was created in 2008 by the Virginia General Assembly to provide economic opportunities in Southwest Virginia by creating outdoor recreation opportunities. To date, Spearhead Trails has created (4) Multi-Use Trail Systems and is currently under construction on our (5th) Trail System. Construction has begun on our first designated Equestrian Trail. Southwest Virginia is becoming a tourist destination for outdoor recreation and Spearhead has become one of the top destinations. Spearhead Trails is asking for funding to create a ATV / OHV rental branch to our trails to provide financial sustainability. With this funding, we will be create (5)five Trail Technician positions, with an average salary of \$25,000.00 per year plus benefits. There is high demand for this service and we anticipate increased visitors to Southwest Virginia from individuals and businesses. This funding will help Spearhead Trails to become a self sustaining entity.

Staff Comments and Recommendation (September 2016): Since 2008 the Commission has provided approximately \$2.3M for start up personnel and operating support to establish the Spearhead Trail System which has become a signature tourism initiative in Southwest Virginia resulting in significant economic impact in partner communities. A small portion of this amount was also used for trail construction. The FY17 application requests \$200,000 to establish an ATV/OHV rental business to meet the high demand for this service. Although private entrepreneurs have

attempted to meet this demand none have been successful due to staffing issues with supervising rental parties and due to the tremendous overhead expenses such as maintenance, labor, and insurance associated with this business. Creating its own rental business allows SRRA to capitalize on lowered overhead (e.g. using personnel in several capacities described below) and to meet rental demand, while generating much needed revenue to sustain its operations. The organizational structure of SRRA along with the current insurance policy that is already carried for the trail system results in substantial savings and with the potential to generate substantial revenue as reflected in the business plan provided with the application. An additional \$300,000 is requested to fund five Trail Technician positions for a three year period. The Trail Technicians will consolidate many functions that are currently being outsourced such as trail security and trail and equipment maintenance. These employees will also conduct tours as part of the rental business and will accompany renters to assure that all equipment is being used safely and not damaged. Outcomes are projected at five new jobs (Trail Technicians) and an increase of 10,000 new visitors annually generating \$993,120 in new revenue. Matching funds are committed from the Commonwealth of Virginia (\$300,000), VCEDA (\$500,000) for construction of the Haysi's Ridgeview Multi Use Trail System. SRRA will partner with Friends of SWVA on a ARC POWER application for \$300,000 for the Haysi to Breaks Interstate Park multi-use trail project (this match is also reflected in the pending Friends of SWVA application #3198). Staff raised the issue of using public funds to compete against potential private operators, SRRA has indicated that businesses have been unable to succeed on their own in this endeavor. With that in mind, this is an attractive project presenting real potential to create a sustainable revenue stream for SRRA, and the significant revenue generating aspect in the business plan makes it a candidate for VRA credit analysis, with an eye toward loan funding. **Staff recommends referring the project to the VRA loan program for additional vetting and loan consideration.**

Staff Comments and Recommendation (May 2017): Due to VRA's preference to fund capital expenses (for collateral purposes) it appears that only \$200,000 of the request amount may qualify for the loan program. The remaining \$300,000 of the request was to be used for salary support for hiring five Trail Technician positions to internalize what are now externally-contracted security, construction and maintenance roles. The Trail Techs are now partially funded by a recent \$198k Appalachian Regional Commission grant. The applicant has requested that this amount be reconsidered for grant funding for two years of salary support for Spearhead's Sales Manager, Engineer and Construction Supervisor, positions which will all have key roles in the further expansion of the trail system and the marketing and operation of the proposed ATV rental business. SRRA will continue to work with VRA for qualification for a \$200,000 equipment loan. **Staff recommends award of \$300,000 to fund staff positions to expand construction of the trail network and implementation of the ATV rental business.**

Wythe County

Appalachian Regional Exposition Center - Arena & Spectator Development (#3201)

\$750,000 Requested

Project Description Provided by Applicant: Situated in the heart of Southwest Virginia, the Appalachian Regional Exposition Center (AREC) will serve as the Commonwealth's premier civic center for localities west of Roanoke, providing permanent indoor seating for concerts and other entertainment events. In addition to the arena, which will be used for a myriad of activities, including livestock shows, rodeos, indoor soccer, travel shows, motocross, concerts and dozens of other events, AREC will also include outdoor multi-purpose fields, a walking track, an outdoor horse ring, livestock barns, as well as classroom and training facilities. The county is requesting funding to assist in the outfitting of the main arena - these funds will be used to provide permanent and portable seating, installation of necessary audio / visual equipment, score board / marquee and an interior stage area.

Staff Comments and Recommendation (September 2016): This request for a second phase of funding for the AREC seeks funds to purchase seating, audio/visual equipment, score board/marquee and an interior stage area. In 2015 the Southwest Committee approved \$750k out of the County's \$3 million request for arena construction. The overall project would create five new jobs managing the facility, with an estimated 17,900 visitors annually to a variety of events including agricultural expos, concerts, rodeos, motocross, trade shows, indoor soccer, etc.. The site, which has excellent visibility and access to Interstates 81 and 77 and an abundance of nearby lodging, restaurants etc., was purchased by the County in 2015 at a cost of \$1.3 million. Staff inquired about the construction timeline and financing of the arena to determine the urgency of funding these interior buildout costs. The County responded that it expects to begin grading and receive final A&E design by this September, bid the arena construction this fall, and begin construction in early-2017. Consequently, a total construction budget is not available until designs and bids are received. The County has indicated that it has authorized \$5 million of debt service for the project, so construction financing and required matching funds appear to be committed. The proposal states that a future TRRC request of \$750k is anticipated. While some expected uses such as concerts and soccer do not align with Commission's economic development objectives, a reasonable case can be made that this facility, with attributes such as access to interstates and visitor lodging/dining, few if any competing facilities within a two or more hour radius, and a wide array of expected events that will draw visitors from beyond Wythe and Southwest Virginia, is a well-positioned tourism destination that will attract measurable visitation, capture visitor spending in the locality, and generate local tax revenues. That expectation is supported by economic impact studies completed by UVA's Weldon Cooper Center and Virginia Tech's Office of Economic Development. The necessity of Commission funding is debatable, based on the County Board Chair's statement to the Southwest Committee in 2015 that the County would develop the project even if no Commission funds were awarded (as evidenced by the County's subsequent \$5M debt service authorization). However, in this case, Staff suggests that a TRRC loan that would eventually "revolve" and be available for future projects is a reasonable approach to assisting what would otherwise be grant-funded or loaned from other sources, and that the County has publicly stated its intent to cover debt service for the project. **Staff recommends this project be referred to Virginia Resources Authority's credit analysis process for a potential loan from funds obligated by the Commission for loans in September 2015.**

Staff Comments and Recommendation (May 2017): Information received from the applicant reflects ongoing grading of the site which will complete the \$750K award provided in FY15 in the coming weeks. Construction of the arena is expected to begin in late summer (July or August). The update also shows that Wythe County will be approaching TRRC for an additional \$1.5M (\$3M total TRRC funding) for this project. Given the revenue generating nature of this project it is likely that some or all of this amount could be financed through the Commission's VRA loan program and should be evaluated for credit worthiness prior to any additional grant funds being awarded. **Staff continues to recommends referral to VRA for loan evaluation.**

OTHER BUSINESS

Scott County Economic Development Authority

Scott County Economic Development Authority: Daniel Boone Interpretive Center Exhibits (Grant # 1642)

Approved for \$70,000 in July 2008 (\$41,123.60 balance) – Current end date 5/31/17- request for additional time extension

and

Scott County Economic Development Authority: Daniel Boone Interpretive Center Exhibits (Grant # 2117) – Reserve Program

Approved for \$70,000 in July 2010 (\$159,600 balance) –Current end date 6/30/17 request for additional time extension

This project has received numerous extensions over the past 9 years with the most recent extensions to expire this summer. These extensions have been necessary due in large part to delays associated with the review and approval processes for VDOT and federal funding provided for the project. TRRC funds serve as the required 20% match for VDOT which covers 80% of the expenses. An additional extension has been requested for the project in a 4/27/17 letter submitted by the grantee. This request states that the project was successfully bid in October 2016 and a contract awarded to Queensberry's. Construction has begun and is estimated for completion in the first quarter of 2018. Grant #1642 funds exhibit design costs and #2117 was awarded through the Reserve program for exhibit construction. Both grants serve as match for a related VDOT award. **Staff recommends approval of extensions for both projects to expire 5/31/18.**